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TAGS: [PREL](#) [PTER](#) [EFIN](#) [KNNP](#) [KWBG](#) [IR](#) [IS](#) [PINR](#)
SUBJECT: D/S KIMMITT AND PM OLMERT DISCUSS IRAN,
PALESTINIAN DEVELOPMENT, FOREIGN INVESTMENT

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b/d).

11. (C) SUMMARY: On December 7, Deputy Secretary of Treasury Robert Kimmitt and the Ambassador discussed the recent release of the National Intelligence Estimate (NIE) with Prime Minister Ehud Olmert and Political Advisor Shalom Tourgeman. Olmert was satisfied by Kimmitt's statements that Treasury's policy on Iran had not changed, and said Western European allies must be reassured following the NIE. Tourgeman said that Russian officials had told Israel that cooperation on a future United Nations Security Council Resolution (UNSCR) may become easier now that a U.S. military option is less likely. Kimmitt urged the Government of Israel (GOI) to ease pressures on the Palestinian economy. Olmert agreed, but warned that it could not come at the expense of security. Kimmitt delivered the message that the United States is open for investment, and urged Israeli high-tech and defense companies to make contact with Treasury for guidance in navigating the Committee on Foreign Investments in the United States (CFIUS). END SUMMARY.

Treasury Remains Constant on Iran

12. (C) The NIE does not change Treasury's program with regard to Iran "one bit," said Kimmitt. The report demonstrates that Iran had a nuclear weapons program and lied about it, he continued, and that they could restart it at any time. The fact that Iran suspended its program in 2003 proves that international pressure is effective and should be maintained, said Kimmitt. The NIE does not refer to Iran's ongoing efforts in reprocessing and long-range missile technology, which form the basis of the two existing UNSCRs. Kimmitt promised that Treasury would continue its push to cut off Iranian access to international financial institutions, and noted that large foreign banks remained more concerned about maintaining access to the U.S. market than in protecting their business with Iran.

Next Steps After the NIE

13. (C) Olmert said Israel was willing to accept NIE conclusions that the Iranian nuclear program was suspended in 2003, but does not know if it was since restarted. Too many questions remain, said Olmert, and there is at least a fifty percent chance that Iran has an active nuclear weapons program. According to Olmert, the NIE could undercut support from key Western European allies, particular France and Germany, and it is essential to "deliver a clear message that they are on the right side." Tourgeman said that German Chancellor Angela Merkel specifically needed strong support,

as she was under considerable pressure from German industry on her Iran policy.

14. (C) Despite Treasury's unchanged position on Iran, Kimmitt acknowledged that the NIE would make a strong third UNSCR more difficult to obtain. Tourgeman countered that Russian officials had told Israel that the NIE might ease Russian resistance to a third resolution now that a U.S. military option appeared more unlikely. Olmert also noted positive indications from his recent conversations with President Vladimir Putin, most notably Russia's decision not to move forward with proposed fuel sales to Iran. Future rounds of UNSCRs should include Bank Mellî and the Central Bank of Iran (CBI), said Kimmitt, who pointed out that money had moved from Bank Sepah to the CBI following the bank's designation.

"Creating Space" on the West Bank

15. (C) Kimmitt stressed the importance of Palestinian economic development following Annapolis. Palestinian Prime Minister Salam Fayyad is a serious man who faces huge challenges, said Kimmitt, who encouraged the GOI to create economic space to help Fayyad succeed. Olmert responded that there have been significant improvements in the West Bank economy since Fayyad's appointment -- there is a 25 percent increase in the number of Palestinians working in Israel, and the people are generally impressed with his improvements to government services. On the other hand, the GOI believes Fayyad has done little to counter terrorist groups, and Olmert accused PA government agencies of tacit cooperation with Hamas on the West Bank.

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16. (C) The Israel Defense Forces cannot withdraw from the West Bank at this time, said Olmert, without risking a Hamas takeover. Premature withdrawal would also increase the risk of terrorist attacks, said the PM, which would destroy any hope for the peace process. Given these constraints, Olmert promised that Israel would do everything possible to improve the Palestinian economy. He noted the GOI's willingness to consider a request from Tony Blair for Palestinian Authority development projects in Israeli controlled "Area C" zones in the West Bank. As long as these proposals are made for genuine economic reasons, said Olmert, and not an attempt to bypass negotiations over control of these areas, the GOI will allow them to go forward. The PM suggested to Kimmitt that there is a strong need for a Palestinian-Israeli joint business council that would allow for dynamic exchanges and generate new opportunities for growth.

Encouraging Israeli Investment in U.S.

17. (C) Kimmitt informed the Prime Minister that he spoke earlier in the day to Israeli business executives on CFIUS, making the point that the United States was "open for business." Olmert welcomed this message, which he said was timely given the growing strength abroad of Israeli high-tech companies. Following the recent CFIUS challenges encountered by Israeli companies, Kimmitt stressed that it is important for foreign businesses -- especially in the high-tech and defense sectors -- to invest time and resources developing good working relationships at the Treasury and other USG agencies. Olmert responded that Israeli businesses fear that such efforts will be misinterpreted as dishonesty, as has been the case in corruption allegations against the PM for his relationship with Bank Leumi.

19. (U) D/S Kimmitt cleared this cable.

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